

Message Text

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67

ACTION ARA-20

INFO OCT-01 ISO-00 AID-20 CIAE-00 COME-00 EB-11 FRB-02

INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SPC-03

CIEP-02 LAB-06 SIL-01 OMB-01 PC-15 NIC-01 NSC-10

SS-20 STR-08 CEA-02 INT-08 IGA-02 L-03 DRC-01 /167 W

----- 019141

R 022225Z NOV 73

FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7632

C O N F I D E N T I A L LIMA 8032

EO 11652: GDS

TAGS: BDIS, EIND, EMIN, PE

SUBJ: CERRO DE PASCO

REF: STATE 215414, LIMA 8002

1. IN COURSE CONVERSATION ON ANOTHER MATTER (REFTELS), LLOSA SAID THAT FURTHER PROBLEM OF GRAVE CONCERN TO HIM WAS FOREIGN EXCHANGE PAYMENT OF EXPATRIATE STAFF. HE SAID CERRO DE PASCO AT PRESENT EMPLOYS 102 FOREIGNERS. OF THESE, 41 ARE RELATIVELY NEW AND COME UNDER SYSTEM WHEREBY CERRO DE PASCO ITSELF BUYS FOREIGN EXCHANGE FROM BANCO DE LA NACION AT RATE OF 43.50 PER DOLLAR. THESE POSE NO PROBLEM. HOWEVER, REMAINING 61 EMPLOYEES, ALL OLD-TIME, SENIOR STAFF MEMBERS, COME UNDER PREVIOUS SYSTEM WHEREBY FUNDS WERE REMITTED BY CERRO NEW YORK TO CERRO DE PASCO, WHICH IN TURN DEPOSITED MONEY IN SPECIAL ACCOUNT WITH BANCO DE LA NACION, DRAWING ON THIS ACCOUNT TO PAY STAFF.

2. LLOSA SAID CERRO NEW YORK HAS MADE NO REMITTANCES FOR SENIOR STAFF FOR PAST SEVERAL WEEKS AND AMOUNT IN ACCOUNT IS NOW SUFFICIENT TO MEET PAYROLL ONLY UNTIL NOVEMBER 15 AT NORMAL RATE OF DRAWDOWN. HOWEVER, SHOULD
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A SENIOR STAFF MEMBER DECIDE TO RESIGN, SPECIAL PAYMENTS

RELATED TO TERMINATION OF EMPLOYMENT WOULD IMMEDIATELY DEplete THE ACCOUNT. LLOSA SAID THAT, IF MATTER WERE NOT PROMPTLY RESOLVED, CERRO DE PASCO WOULD PROBABLY FACE WAVE OF RESIGNATIONS. (STAFF CANNOT BE EXPECTED TO WORK FOR SOLES FOR WHICH CONVERTIBILITY UNCERTAIN AT BEST.) LLOSA SAID HE PLANS TO DISCUSS THIS PROBLEM WITH MURPHY DURING HIS VISIT TO NEW YORK EARLY NEXT WEEK.

3. COMMENT: THIS IS, OF COURSE, INTERNAL COMPANY PROBLEM, IMPACT OF WHICH ON CERRO/GOP/U.S. RELATIONS AND NEGOTIATIONS NOT AS DIRECT AS SOME OF OTHER ILL-CONSIDERED ACTIONS BY CERRO NEW YORK. HOWEVER, WE BELIEVE THAT CERRO NEW YORK WOULD BE WELL ADVISED TO ENSURE THAT, IN PRESENT RATHER DELICATE PERIOD, OPERATIONS OF CERRO DE PASCO CONTINUE AS SMOOTHLY AS POSSIBLE. WE ALSO UNDERSTAND THAT COMPANY HAS PROMISED FOREIGN STAFF THAT, DESPITE PROBLEMS BETWEEN CERRO AND GOP, THEY WOULD NOT BE DISADVANTAGED BY CONTINUED LOYAL SERVICE. WE HOPE PRESENT PROBLEM DOES NOT INDICATE THAT MURPHY PLANS TO RENEGE ON THIS COMMITMENT.
BELCHER

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: EXPORT CONTROLS, PRICES, PUBLIC ADMINISTRATION, FOREIGN EXCHANGE
Control Number: n/a
Copy: SINGLE
Draft Date: 02 NOV 1973
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: golinofr
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1973LIMA08032
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: n/a
From: LIMA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1973/newtext/t19731159/aaaabrda.tel
Line Count: 82
Locator: TEXT ON-LINE
Office: ACTION ARA
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 2
Previous Channel Indicators:
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: STATE 215414, LIMA 8002
Review Action: RELEASED, APPROVED
Review Authority: golinofr
Review Comment: n/a
Review Content Flags:
Review Date: 24 JAN 2002
Review Event:
Review Exemptions: n/a
Review History: RELEASED <24-Jan-2002 by martinjw>; APPROVED <13 FEB 2002 by golinofr>
Review Markings:

Declassified/Released
US Department of State
EO Systematic Review
30 JUN 2005

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: CERRO DE PASCO
TAGS: BDIS, EIND, EMIN, PE, CERRO CORP
To: STATE
Type: TE
Markings: Declassified/Released US Department of State EO Systematic Review 30 JUN 2005